BoardRoom Press

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Patient Financial Experience from COVID-19: Board Lessons

Hospitals as Civic Engaged Institutions: Emerging Lessons in the Era of COVID and Black Lives Matter

SPECIAL SECTION

Outwitting Uncertainty: Strategy Pivots in the Time of COVID

An Infusion of Empathy: A Path to Innovation and Change

ADVISORS' CORNER

Enterprise Risk Management: Moving beyond Compliance

A Year to Forget/Remember

This was not the letter I wanted to write. The one I wanted to write was about a fresh start in the new year, where our pandemic concerns have plateaued and we can move on to other matters. We are not there yet. The entire world is reeling as the rise in case numbers explodes again, before the coldest weather sets in and we force ourselves into hibernation.

As civic institutions, hospitals and health systems are the cornerstones of community health, equity, and access. The pandemic and Black Lives Matter have spotlighted the critical role our organizations need to embrace—that goes way beyond clinical care. We are leaders, employers, educators, therapists, social workers, financial advisors, nutritionists, housing advocates, partners, connecters, and healers. We can link our patients with the services they need to improve their lives and their livelihoods. We can both expand our services and hold others accountable to doing more, with our support and partnership, to close the equity gaps. Most importantly, we have the power to hold payers accountable to ensuring that premiums go towards care and not profits. If we do this, we can create thriving, sustainable, and resilient communities where everyone benefits.

In 2021, we will work with our members to build strategies and implement actions to help all patients, from their bills and insurance, to dependable electricity and safe housing, access to healthy food, to equitable care, ensuring that those who need services the most receive those when and where they need it, regardless of the color of their skin or their ability to pay. We want to partner with you to build a database of ideas that work, and share your stories for all to learn from and embrace. For auld lang syne, my friend.

Kathryn C. Peisert,
Managing Editor

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Patient Financial Experience from COVID-19: Board Lessons

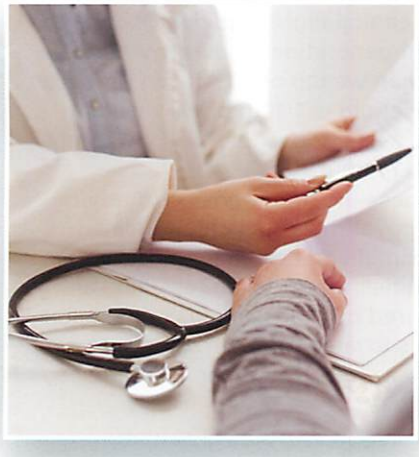
By Joseph J. Fifer, FHFMA, CPA, Healthcare Financial Management Association

Earlier this year, a 70-year-old man who was critically ill with COVID-19 in a Seattle hospital woke briefly from his medically induced coma and told his wife, "You gotta get me out of here. We can't afford this."[1] When the patient left the hospital two months later, the bill came to $1.1 million. It was 181 pages long with nearly 3,000 itemized charges. As it turned out, the patient portion of the bill was minimal, likely zero.

Joseph J. Fifer, FHFMA, CPA
President and CEO
Healthcare Financial Management Association

Few media stories about patients' financial experiences with COVID-19 are so dramatic. But over the past few months, smaller-scale variations on this theme are playing out all over the country: a lack of timely, reliable information about out-of-pocket expenses are causing additional stress and frustration for patients while they are dealing with a life-threatening infectious disease. But the takeaways on financial experience are not all negative. Patients also learned that they could check in for care from the relative safety of their cars. Although patients may not realize it, clinical and financial leaders have collaborated behind the scenes to make the logistics of care access safer and easier during this time.

This article explores what board members should know about how the pandemic will shape patient financial experience going forward.



Price Transparency Has Been Hard to Come by

Confronted with an unprecedented public health emergency in early spring 2020, Congress acted quickly to pass legislation requiring patient cost sharing to be waived for COVID-19 testing. Health plans fast-tracked implementation efforts. Despite these efforts, exceptions, ambiguities, and unresolved issues left many patients with uncertainty about their financial responsibility. Some were confronted with unexpected bills. In other words, patients often came up against the same financial uncertainties they have experienced during previous healthcare encounters, adding fuel to the flame of frustration with opaque healthcare pricing. To address longstanding consumer dissatisfaction in this area, board members should champion price transparency initiatives that go beyond compliance with the Centers for Medicare & Medicaid Services transparency regulations[2] that require disclosure of payer-specific negotiated rates, effective January 1.

Normal, or business as usual, translates to business-to-business-centered billing and payment processes, limited price transparency and lots of hassles for consumers.

The On-Site Financial Experience Has Become Easier for Patients

Many aspects of the patient financial experience were quickly redesigned to minimize risk of disease transmission. Some health systems enabled online check-in and registration by smartphone—in some cases for patients who remained in their cars in the hospital parking lot. Patients discovered that it was no longer necessary to sit in a waiting room to fill out paperwork or to download and print forms in advance. Leveraging smartphones for this purpose was done as an infection prevention measure. Convenience has been a welcome, if unintended, consequence for consumers, who are accustomed to making purchases and other transactions on their phones. Board members should encourage hospital finance leaders to routinize measures that were adopted on an emergency basis and prioritize patient convenience, going forward. This is the actionable moment.

Finance Leaders and Other Administrators Have Stepped Up to the Challenges of the Pandemic

The media and the public have hailed our healthcare heroes on the front lines. Physicians, nurses, other clinicians, and support staff deserve all the credit they have been given, and more. Their commitment and dedication have been extraordinary. But board members should be informed about the patient

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Key Board Takeaways

- Aspects of the patient financial experience that at first glance seem unique to COVID-19 are actually just new manifestations of longstanding issues that legacy healthcare stakeholders have yet to address.
- The board can champion price transparency initiatives that go beyond compliance with the Centers for Medicare & Medicaid Services transparency regulations that require disclosure of payer-specific negotiated rates.
- Encourage hospital finance leaders to routinize measures that were adopted on an emergency basis and prioritize patient convenience, going forward.
- Finance and other administrative teams have redesigned business processes during the pandemic even as they dealt with threats to their hospital's financial health. Although their work won't and shouldn't be as high profile as the work of physicians and other clinicians, boards should know that many finance leaders stepped up to the challenge. These actions should also be viewed as setting a precedent for the future.

1 Danny Westneat, "Coronavirus survival comes with a $1.1 million, 181-page price tag," *The Seattle Times*, June 12, 2020.
2 See https://www.cms.gov/hospital-price-transparency/hospitals.

Hospitals as Civic Engaged Institutions: Emerging Lessons in the Era of COVID and Black Lives Matter

By Kevin Barnett, Dr.P.H., M.C.P., Public Health Institute

A Year to Forget/Remember

As winter approaches, our hospitals prepare for yet another surge of COVID-19 patients in our emergency rooms, intensive care units, and morgues. In some regions of the country, this will once again require the scaling back of elective procedures; deployments of physicians, NPs, and PAs to buttress the exhausted ranks of ICU specialists; and administrative leaders will once again grapple with a catastrophic loss of revenue.

Kevin Barnett, Dr.P.H., M.C.P.
Senior Investigator
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Trinity Health

This troubled year comes on the heels of recognition of the imperative to accelerate value-based care. As hospitals assume financial risk for keeping people healthy, the implications were brought into sharp focus by lost revenue while commercial health plan profits increased dramatically.

Low-income communities of color are the most impacted by the pandemic, since they are over-represented as workers in public-facing essential services and have a higher prevalence of co-morbidities that increase COVID-19's severity and lethality. This deadly virus finds a rich environment for growth in communities that bear the compounding burdens of a lack of a living wage, poor quality housing and schools, food insecurity, and toxic stress that breeds depression in children and hopelessness in adults.

In the midst of the pandemic, our national conscious was rocked in April by the forced witness of a slow-motion homicide committed by a law enforcement officer in Minneapolis. Our shock at this event has brought into focus the many forms of social injustice endured by people of color in our nation—a revelation that is renewed on almost a weekly basis by yet another extreme use of force by another law enforcement officer in another community in another part of the country.

The politics of grievance and divisiveness that have been unleashed by the current administration have added fuel to this fire, providing encouragement to those who may have previously curbed their racist inclinations. Divisions between Americans are further encouraged by the fragmentation of messaging in the explosion of social media. Ideas and ideologies which would otherwise be debunked by fact checking in mainstream media spread like wildfire, leading so many to come to conclusions without connections to practical realities.

This troubled year comes on the heels of recognition by healthcare leaders of the imperative to accelerate movement towards value-based payment (VBP). As hospitals assume increasing financial risk for keeping people healthy and out of their emergency rooms and inpatient settings, the implications were brought into sharp focus by lost revenue from dramatic reductions in elective, routine, and essential care, while profits among commercial health plans increased dramatically.

After decades of underinvestment, our public health community has been battered by the pandemic, with local leaders across the country confronting resistance and in some cases hostility as they sought to advance the basic safety measures of the scientific community. Resignations have spiked among local and state public health leaders, and others struggle to coordinate and extend testing to communities despite shortages in equipment and personnel. In a series of key informant interviews conducted with hospital, health system, and health plan CEOs in California in the early summer, there was broad consensus that we have profoundly under-invested in our public health infrastructure.[1]

Key Board Takeaways

There is a consensus among healthcare leaders that we have under-invested in our public health infrastructure. This article highlights important steps boards can take to remedy this.

- Hospital and health system investments in community health should be refocused on the real needs of the community at large rather than undertaken with a competitive nature in mind. Discovering zones of collaboration with competitors and related sectors to address community health have the potential to achieve more significant results.
- If your hospital or health system is located in or near a low-income community, be sure to address any high concentrations of preventable utilization. These drive the escalation of healthcare costs and in a value-based payment environment, should be handled diligently.
- Health improvement strategies should be designed with the help of multiple community sources. This collaboration will provide an entry point for targeted advocacy that is in the public interest.

Mirrored Inequities

The socioeconomic inequities in our urban communities are a constant throughout much of our modern history, driven by residential segregation and capital flight, and contributing to multi-generational poverty where the median wealth of an African American household is 1/10th of the median Caucasian household ($17,100 compared to $171,000).[2]

These inequities are mirrored in the payer mix of hospitals located proximally to low income communities, where most residents are covered by Medicaid. In contrast, hospitals located more proximally to

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1 Kevin Barnett, Dr.P.H., M.C.P., *Meeting the Demand for Health: Top Priorities, Challenges, and Proposed Actions for the Private Sector to Support the Workforce California Needs*, California Future Health Workforce Commission.

2 Rakesh Kochhar and Anthony Cilluffo, "How wealth inequality has changed in the U.S. since the Great Recession, by race, ethnicity and income," Pew Research Center, November 1, 2017.

Outwitting Uncertainty: Strategy Pivots in the Time of COVID

By John Poziemski and Mark Grube, Kaufman Hall

As the uncertainty of COVID-19 continues to roil our society, hospital and health system boards and executives face perhaps the most difficult challenge of their careers: deriving insights about a volatile and risky environment, and translating those insights into significant pivots in strategy.

The unfortunate reality is that healthcare organizations have relatively little control over the external forces buffeting them today—for example, public policy related to preventing the spread of COVID-19, development of a vaccine, the state of the economy, or the behavior of the markets.

Lacking control over these environmental factors, boards and executives need to outwit the uncertainty. That requires developing scenarios for each factor based on its potential onset, duration, degree of effect, and on its potential effect of the basis of competition. It requires developing a menu of strategies that can help organizations weather changes and excel in new capabilities. And it requires a flexible roadmap to operationalize those strategies that is sensitive to inevitable fluctuations of a volatile environment.

Below, we offer observations about the nature of uncertainty executives are facing, the likely environmental changes, and the strategies organizations will need to make in order sustain and improve their ability to serve communities in a hazy future.

The financial challenges brought on by COVID-19 will likely increase the need for vertical alignment and readiness for value-based care in healthcare organizations. As public payers and private employers demand greater affordability, health plans and providers will have a greater incentive to integrate.

The Nature of Today's Uncertainty

Healthcare has experienced major environmental changes in the past—Medicare's shift to payment by diagnosis-related groups in the 1980s, the explosion of electronic health records in the early 2000s, the market crash of 2008, and passage of the Affordable Care Act in 2010, to name a few. At each point, healthcare organizations struggled, but by and large were able to adjust their strategies to stay competitive and sustain their missions.

However, the current crisis is different. COVID-19 brings with it a level and breadth of uncertainty that previous healthcare market changes did not. The pandemic is a clinical, economic, and social crisis that has and will continue to alter the normal course of business in fundamental ways, from organizational structure to care delivery processes and modalities. Intensifying the tumult have been a contentious 2020 election, louder calls for health equity, and changes to health policy.

For boards and executives, perhaps most important in outwitting uncertainty is questioning the conventional wisdom.

Each of these factors can emerge at a different time, exist for a different duration, affect specific populations differently, and hit with varied intensity. **Exhibit 1** on the next page shows an example of how scenarios might be developed to model the impact of just three environmental factors.

Key Board Takeaways

Uncertainty in our society means that hospital and health system boards and executives must translate insights about a volatile and risky environment into pivots in strategy. To outwit the uncertainty, boards should:

- Understand the environmental factors fueling the uncertainty and develop scenarios for each based on its potential onset, duration, degree of effect, and its potential effect of the basis of competition.
- Develop various strategies that can help their organization weather changes and excel in required new capabilities.
- Create a flexible roadmap to operationalize those strategies that is sensitive to inevitable fluctuations of a volatile environment.

One important way in which all of these environmental factors are likely to affect healthcare is by disrupting the traditional vertical value chain: the patient's path from primary care provider, to specialist, to diagnostics, to hospital. For years, this chain has been highly vulnerable due to gaps in coordination and communication, problems with timeliness, and overall lack of consumer orientation. In recent years, retail and tech companies have sought to disrupt this value chain by giving consumers new and easier access points to the healthcare system.

The pandemic is a clinical, economic, and social crisis that has and will continue to alter the normal course of business in fundamental ways, from organizational structure to care delivery processes and modalities. Intensifying the tumult have been a contentious 2020 election, louder calls for health equity, and changes to health policy.

The current pandemic has exacerbated the stress on this traditional value chain. The volume of testing required, the volume of patients requiring urgent inpatient care, the inability of patients to obtain care in traditional locations, and through traditional modalities—all of this highlighted the problems with healthcare's sequential, in-person oriented, gatekeeper model. As the effects of the pandemic continue to roil healthcare, legacy healthcare provider organizations could see this fundamental structure of healthcare delivery change, which could be an inflection point for either damaging disruption or overdue improvement.

Three Long-Term Market Effects

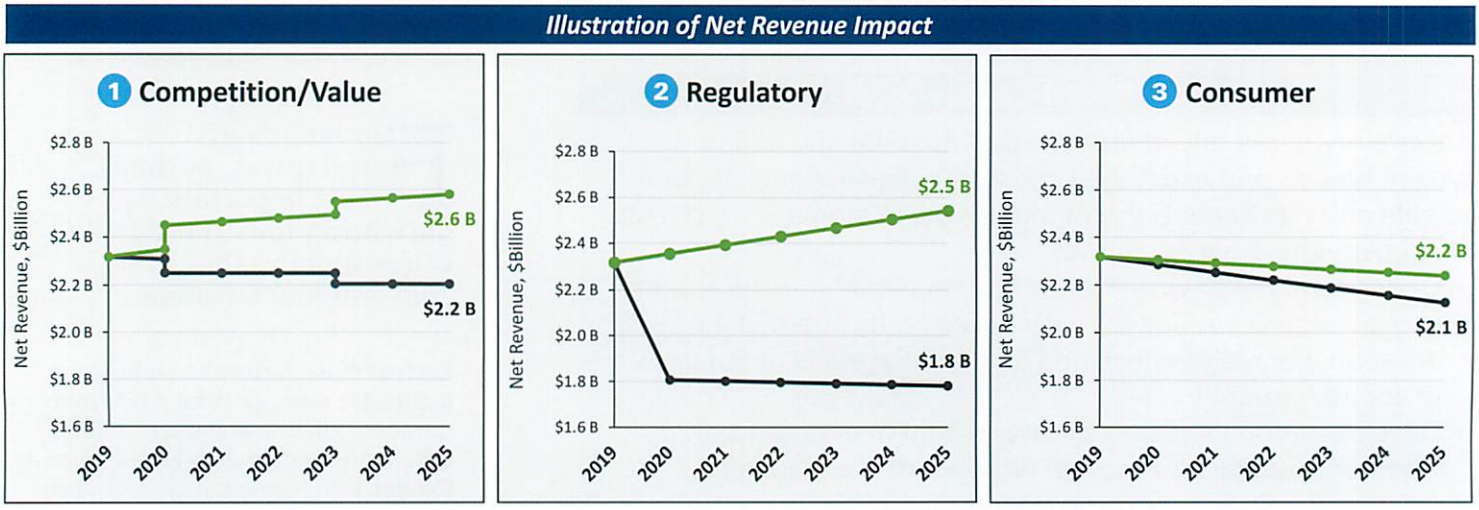
Among the many possible market effects of this uncertain environment, we highlight three as among the most likely to emerge and the most important drivers of strategy.

1. Heightened Consolidation

COVID has reduced hospital margins and strained capital capacity, with an economic recession waiting in the wings to exacerbate those financial problems, and both the duration and recovery curve unknown.

Organizations that entered this period with relatively weaker balance sheets and capabilities are likely to find themselves seeking support through some form of partnership or transaction. Smaller physician groups in particular—buffeted by hits to revenue and expenses—may seek the safety of scale through affiliation with a health system. Organizations emerging from the initial COVID impact with moderately strong balance sheets may see opportunities to partner in order to fill capability

Exhibit 1: Sample Environmental Impact Scenarios—Potential Performance With and Without Management Intervention



or market gaps. And organizations with scale and balance sheet strength will be in an excellent position to invest in profitable business lines and acquire additional hospitals, while exiting under-performing business lines and facilities.

The current pandemic has exacerbated the stress on the traditional value chain. The volume of testing required, the volume of patients requiring urgent inpatient care, the inability of patients to obtain care in traditional locations, and through traditional modalities—all of this highlighted the problems with healthcare's sequential, in-person oriented, gatekeeper model.

Payers, many of whom experienced a windfall as a result of falling medical loss ratios during the pandemic, will adapt to changes brought on by consolidation. As part of their long-term strategy, national and regional plans will consider new lines of business, such as the individual insurance market, to recoup their commercial membership losses while the economy recovers. They will also be evaluating partnership options with smaller plans.

We are already seeing an intensified push for scale. In the second and third quarters of 2020, we are seeing historic highs in the average size of seller by revenue.

Exhibit 2: Average Seller Size by Revenue among Announced Hospital Transactions ($ in Millions)

2. Vertical Alignment and Readiness for Value-Based Care

The financial challenges brought on by COVID-19 will likely increase the need for vertical alignment and readiness for value-based care in healthcare organizations. As public payers and private employers demand greater affordability, health plans and providers will have a greater incentive to integrate. This may involve expanding existing relationships or developing new partnerships to increase the number of covered lives across the most profitable lines of business, such as commercial and Medicare Advantage plans. Together, payers and providers have a common goal to pursue innovative, value-based care models that achieve greater affordability of care. In addition, large payers that are flush with capital due to delayed care during first months of the pandemic are seizing the opportunity to move deeper in to the provider space through acquisitions. We are also seeing an uptick generally in cross-sector collaboration, such as Walgreen's expanded partnership with VillageMD, a primary care network with 1,000 clinics.

3. Consumer-Oriented Care Models

Another likely long-term effect of COVID-19 is a shift in care models from an in-person orientation to a much fuller integration of telehealth and in-person care.

With in-person visits all but shut down except for emergencies, the U.S. healthcare system was forced to rely on telehealth for contact between patients and clinicians. In April 2020, at the height of the pandemic's first wave, commercial insurance claims for telehealth[1] jumped more than 8,000 percent. Multiple organizations have reported that their three-year telehealth plans had to be implemented in weeks rather than years. The results overall were positive; numerous studies indicate both patient and provider satisfaction with the convenience and experience of telehealth.

Even with the return of in-person care, providers and insurers share the responsibility for making telehealth a permanent, prominent, and thoughtfully integrated part of healthcare delivery. This includes not just video visits, but monitoring and other diagnostics in the home or at convenient locations near the home, systematic remote care planning and follow up, and evaluation of the effect of these care models on health outcomes and total cost of care. The potential improvements in access, convenience, experience, and affordability are important to the stability of the health system as a whole; to consumer, provider, and employer satisfaction; and to the competitive position of individual organizations. Expect that providers, payers, and non-traditional players such as retail chains and big-tech companies will all be working hard to position themselves as critical points in this new, more consumer-oriented value chain.

> Together, payers and providers have a common goal to pursue innovative, value-based care models that achieve greater affordability of care.

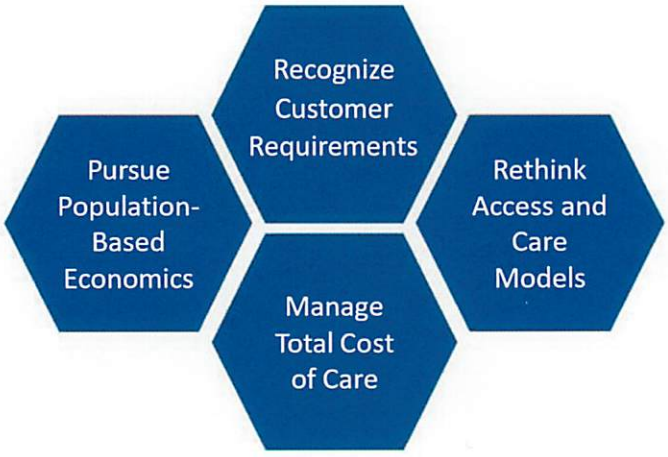
Four Strategy Pivots

Together, these foundational shifts in market conditions signal the need for healthcare leaders to make significant course changes to stay resilient, competitive, and relevant. Following are four no-regret strategies to stay ahead of uncertainty.

1. Recognize your customers' requirements during each "purchasing event"

An organization's future success depends on how well it responds to the needs of various customers at different decision points, or "purchasing events"—for example, when employees select health plan products and provider networks from options offered by employers, or when a consumer with a non-acute health problem decides whether to

Exhibit 3: Four Strategy Pivots



1 Pifer, Rebecca, "Telehealth claims dipped second month in a row in June: Fair Health," *Healthcare Dive,* September 3, 2020.

call a primary care physician, visit an emergency room, or visit a retail or urgent-care clinic.

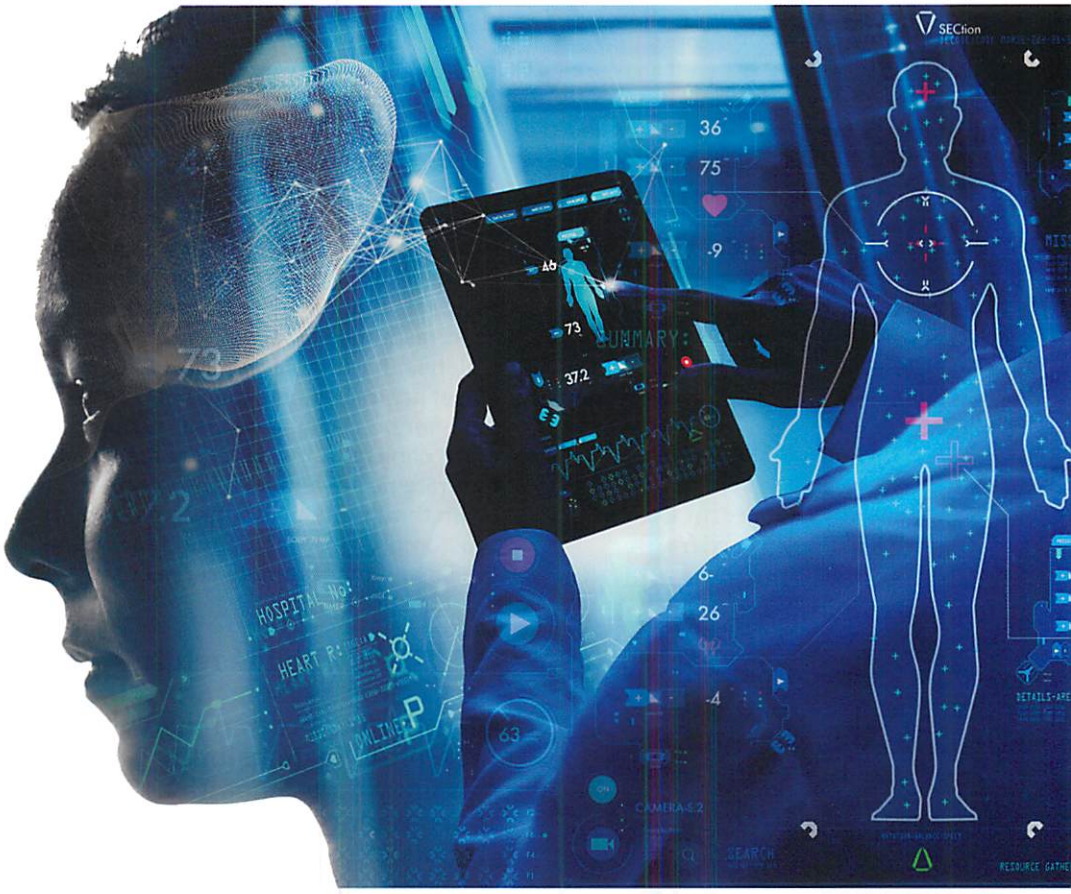
The rise of virtual care during the past few months proves that access on demand is a new requirement for success.

Competitive differentiation in this area requires a robust payer strategy, built in part on meaningful payer-provider partnerships. Integrated health systems may have an advantage here, particularly if they view their health plans as a dominant driver of revenue in the future.

2. Actively Pursue Population-Based Economics

The COVID-19 crisis has been a stark reminder of the shortfalls of relying exclusively on fee-for-service payment. Organizations that are committed to population-based models are faring better because their revenues, costs, and margins are spread across their entire system and depend on covered lives, not patient volumes.

Hospitals and health systems that are well positioned for the future realize that where their profit pools are generated today may not be where their profit pools will exist in the future. Understanding how to best fund their strategy in light of this uncertainty is critical.



Organizations must find a way to maximize their performance in value-based arrangements, which represent a growing proportion of their total revenue. As health systems pursue a more population-based strategy, they also need to consider diversifying their revenue base, either geographically, by service lines, or both.

Providers also need to review their lines of business and think about how their payer mix and revenue mix will shift as enrollment shifts. To grow the business, organizations will need to capture more covered lives. When considering their strategy, it is essential that organizations accurately model various operating scenarios. This will help provide the agility needed to stay ahead of the transformation.

The financial challenges brought on by COVID-19 will likely increase the need for vertical alignment and readiness for value-based care in healthcare organizations. As public payers and private employers demand greater affordability, health plans and providers will have a greater incentive to integrate. This may involve expanding existing relationships or developing new partnerships

3. Understand and Manage the Total Cost of Care

To be successful during this time of transformation, every

provider organization will need to know how its total cost of care compares with its competitors' (as well as market averages). Yet many organizations are operating completely blind to this key performance measure.

Every organization should understand what level of performance it must achieve on its total cost of care metrics to remain competitive in its market. This benchmark can inform strategic decisions, such as how products are priced, which providers are included in the network, and what services are available to patients.

COVID has reduced hospital margins and strained capital capacity, with an economic recession waiting in the wings to exacerbate those financial problems, and both the duration and recovery curve unknown.

4. Rethink Access and Care Models

The rise of virtual care during the past few months proves that access on demand is a new requirement for success. When consumers reach out to a provider, they want to start addressing their health needs right away. Virtual health can address this need for immediacy while breaking down geographic boundaries that impede patient access to care.

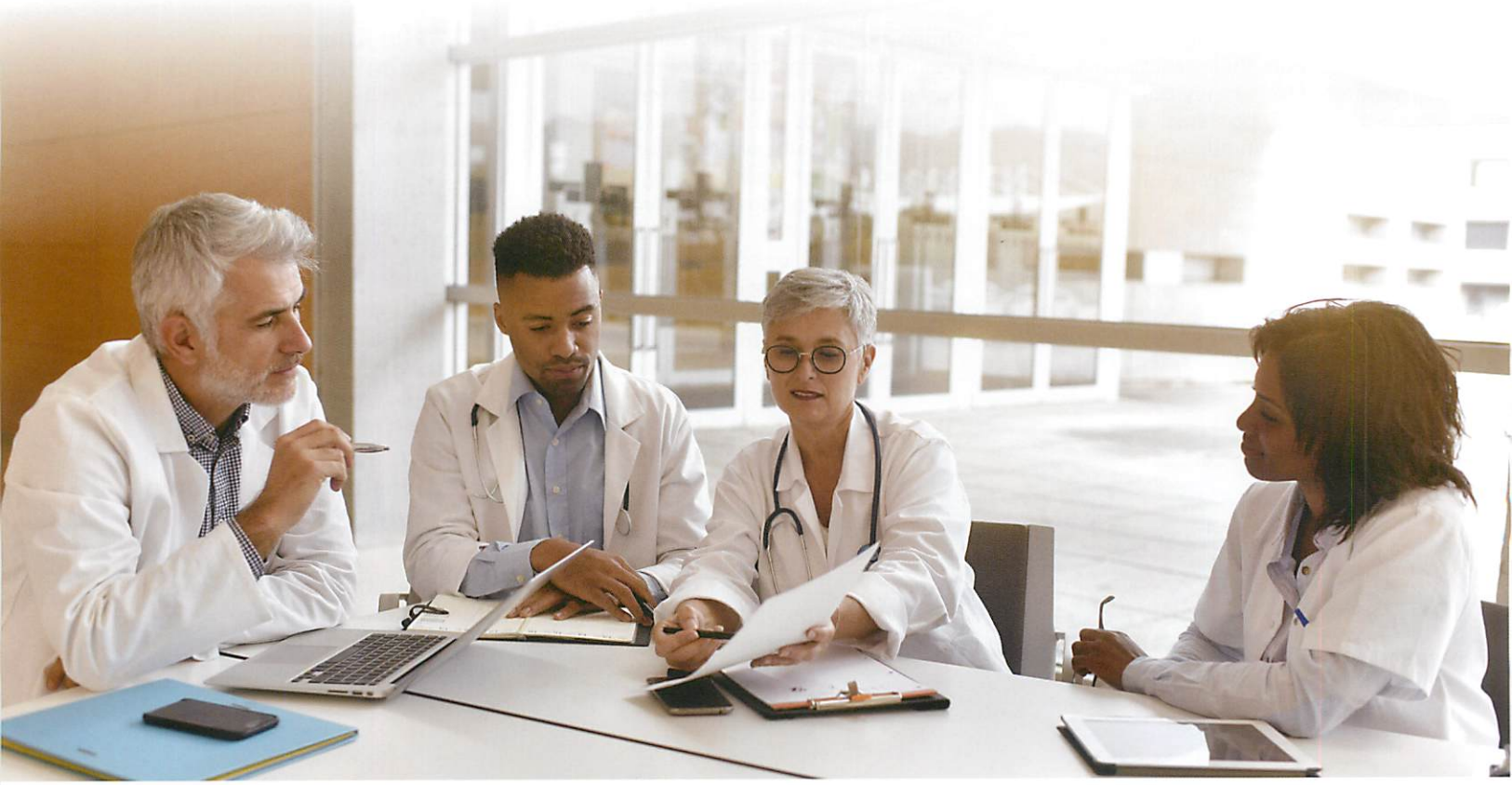
Expanding virtual care services will be easiest for payers and large health systems that have the IT infrastructure and resources to further invest in telehealth technologies. However, mid-level health systems may not be able to offer on-demand services using their own clinicians. Instead, they may have a strategic advantage if they partner with third-party platforms to meet their customers' growing demand for virtual visits and other remote services.

Even with the return of in-person care, providers and insurers share the responsibility for making telehealth a permanent, prominent, and thoughtfully integrated part of healthcare delivery.

Letting Go of Convention

For boards and executives, perhaps most important in outwitting uncertainty is questioning the conventional wisdom. Traditionally, healthcare provider strategy has been largely incremental—measured steps to modify the status quo over a time horizon of multiple years. The uncertainty facing our society as a whole and healthcare in particular has wiped out the notion of incrementalism while it has crushed so many conventional notions about how our society and economy function. Successful organizations will be the ones that not only study these effects but are willing to rapidly move their strategy to whatever new direction, and at whatever new pace, that this new environment demands.

The Governance Institute thanks John Poziemski, Managing Director, and Mark Grube, Managing Director and National Strategy Leader, Kaufman, Hall & Associates, LLC, for contributing this article. They can be reached at jpoziemski@kaufmanhall.com and mgrube@kaufmanhall.com.



An Infusion of Empathy: A Path to Innovation and Change

By David A. Shore, Ph.D., Harvard University

Part 1. Higher-Performing Organizations Mend Broken Bones

The following is the first article in a three-part series that looks in-depth at the power of empathy as a valuable asset to enable innovation and change in healthcare organizations.

The board receives its most recent monthly CEO update. Within the report is the news that a member of the senior leadership team has broken her femur. What is your emotional response?

a) Pity
b) Sympathy
c) Empathy
d) Compassion

Anthropologist Margaret Mead was asked by a student what she considered to be the first sign of civilization in a culture. No doubt, the inquisitive student expected the distinguished anthropologist to discuss clay pots, fish hooks, grinding stones, or religious artifacts. To the contrary, Mead indicated that the first evidence of civilization was a 15,000-year-old fractured femur found in an archaeological site. Mead explained that, in the animal kingdom, if you break your leg, you die. You cannot run from danger, get to the river for a drink, or hunt for food. You are meat for prowling beasts. No animal survives a broken leg long enough for the bone to heal. A broken femur that has healed is evidence that someone took time to stay with the one who fell, bind the wound, carry the person to safety, and tend to the person through recovery. Helping someone else through difficulty is the point at which civilization starts. We are at our best when we serve others.[1]

When providers take the time to make human connections that help end suffering, patient outcomes improve and medical costs decrease.

While Mead did not explicitly reference empathy or compassion, there can be little doubt it was in her consciousness. The vignette amplifies the role caring plays in healthcare delivery organizations and in our world at large. If stakeholders didn't care enough to make changes, nothing would ever be accomplished. We are reminded of Mead's arguably most ubiquitous quote: "Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has."[2] That capacity to feel for another has ensured the survival of our species over millennia. How might a 15,000-year-old human bone help boards and organizations through the Age of COVID and future crises?

The World Economic Forum has declared a reskilling emergency as the world faces more than one billion jobs transformed by technology.[3] There is an expectation that we must continually refresh our skills. At the same time, employee mental health has declined sharply in response to the coronavirus pandemic. The pandemic is causing psychological trauma across a broad swatch of the workforce. It is understandable that most organizations were overwhelmingly tactical, including being laser-focused on the balance sheet. During a crisis, it is highly likely that some of our stakeholders—as well as ourselves—have experienced trauma that they will carry with them into the workplace. Given the fears of exposure during the pandemic, the healthcare workplace itself has become a traumatizing environment for many workers, one they must return to day after day.

The clinical ROI of empathy and compassion are compelling. For example, when female breast cancer survivors received a 40-second message of empathy, kindness, and support in the form of an "enhanced compassion" video, their anxiety was measurably reduced. Women who watched the "standard" video without the enhancing depictions of caring, sensitivity, and compassion did not yield the same benefit.[4] We see that compassion benefits not only the recipient, but also the person practicing it. When people spend time doing good for others, it actually increases their perception of the amount of time they have in their work day. This is particularly important given that 56 percent of physicians say they don't have the time be empathic.[5] Acting with compassion towards patients increases physician's perception of the amount of time they have in their work day, and also appears

Key Board Takeaways

- Empathy is the ability to understand and share the feelings and experiences of another; in other words, imagining yourself in someone else's skin.
- Empathy represents deep caring and occupies a place of pride in both building and rebuilding trust.
- The primary job of leaders is to "seek to understand." Empathy provides a lens.
- If you put human needs first, the business aspects will follow.

1 Adapted from Ira Byock, *The Best Care Possible: A Physician's Quest to Transform Care Through the End of Life,* Avery, 2013.
2 Institute for Intercultural Studies (www.interculturalstudies.org/faq.html).
3 Saadia Zahidi, "We need a global reskilling revolution – here's why," *World Economic Forum*, January 22, 2020, (https://bit.ly/3jV2NYr).
4 L. A. Fogarty, B. A. Curbow, J. R. Wingard, K. McDonnell, and M. R. Somerfield, "Can 40 seconds of compassion reduce patient anxiety?," *Journal of Clinical Oncology*, Vol. 17, No. 1, January 1999, pp. 371-379.
5 Helen Riess, et al., "Empathy Training for Resident Physicians: A Randomized Control Trial of a Neuroscience-Informed Curriculum," *Journal of General Internal Medicine*, Vol. 10, October 27, 2012, pp. 1280-1286.

to help prevent provider burnout. When providers take the time to make human connections that help end suffering, patient outcomes improve and medical costs decrease. Among other benefits, compassion reduces pain, improves healing, lowers blood pressure, and helps alleviate depression and anxiety.[6]

The will to mend femurs dissipates when people freeze up and lose trust and faith in one another, in leadership, and in boards. Conversely, when team members believe an organization and its leadership cares about their well-being and success, it serves as a lubricant to move forward.

Physician empathy is also an essential attribute of the patient-physician relationship and is associated with better outcomes, greater patient safety, fewer malpractice claims, and decreased medical costs. As such, empathy has long been mandated as a learning objective for medical school education.[7] The role of boards in institutionalizing empathy is central, given that studies show a decline in empathy during medical education that persists beyond training.[8] There are many possible explanations for this. For example, a decline in empathy may buffer medical residents from the psychological distress of learning to perform painful procedures. Many physicians begin medical training with humanistic ideals, but empathy training is not specifically taught in most undergraduate or graduate medical programs. This may reflect a devaluation of relational aspects of medicine or a common belief that empathy is an inborn, immutable trait. Neuroscience has challenged these assumptions by showing specific brain circuits associated with empathic behaviors, and changes correlated with the decline in empathy during medical training.[9]

Nature & Nurture

The pro-social traits of empathy and compassion are innate in humans and lie at the very heart of our common humanity. While children as young as two are naturally empathetic, empathy is nevertheless a quality that needs to be cultivated and sustained. Indeed, as children grow up, empathy is often eroded.[10] We see a similar erosion of empathy from medical students to seasoned M.D.s; from community activists to regularly reelected politicians.

Empathy has often been thought to be the characteristic that distinguishes humans from other animals. However, rats, like humans, have a natural propensity to help others. That behavior can change when they take cues from bystanders. Rats will enthusiastically work to free a rat caught in a trap. However, the urge to come to the rescue quickly disappears if a potential hero is surrounded by indifferent rats that make no move to assist the trapped rodent.[11] It turns out that rodents have a lot to teach us about empathy.

The will to mend femurs dissipates when people freeze up and lose trust and faith in one another, in leadership, and in boards. Conversely, when team members believe an organization and its leadership cares about their well-being and success, it serves as a lubricant to move forward. Higher-performing individuals and organizations demonstrate that they care during an emotional crisis by their actions and the organization's response. They are physically and emotionally present and recognize that stakeholders are invariably at different stages in any grieving cycle.

Most organizations are designed to make money which, in healthcare, may come at the expense of taking care of their patients, employees, and customers. Regardless of whether it is a fractured femur or a fractured soul, if you put human needs first, the business aspect of things will follow. Empathy represents an inflection point for managers and boards and should be part of everyone's toolkit.

Change initiatives rarely fail because of the technology; they fail because of people. Healthcare is fundamentally a people business. Therefore, we need to take care of our people. If we don't, everything else is irrelevant. In some fundamental ways, little has changed in 15,000 years. People are people: carbon and water. We actively resist change and often attempt to sabotage it.[12]

Points of Distinction along the Spectrum of Caring

In his June 2020 keynote address to health system leaders, John Halamka, President of the Mayo Clinic Platform, discussed the technological stepping stones that will pave the road forward. "Imagine the healthcare system of the future is a series of experts creating a series of value-added algorithms that are able to connect to an ecosystem and then turn data received into high-quality, low-cost care."[13] Without a healthy dose of caring, we may have a technologically competent workforce that is unable to most effectively collaborate to uncover innovative solutions to new problems. It is hard to imagine a curated list of core leadership practices that do not provide empathy and compassion with a place of pride. In the final analysis, a manager's greatest currency may be making themselves and their organization more human. This involves personal sacrifice and putting oneself at risk. At a time when many people are running on fumes, the virtue of caring is propelled to the frontlines.

6 L. A. Fogarty, et al., 1999.
7 Medical School Objectives Project, *Learning Objectives for Medical Education: Guidelines for Medical Schools,* Association of American Medical Colleges, 1998
8 M. Neumann, et al., "Empathy decline and its reasons: a systematic review of studies with medical students and residents," *Academic Medicine,* Vol. 86, No. 8, August 2011, pp. 996–°1009.
9 J. Decety, et al., "Physicians down-regulate their pain empathy response: An event-related brain potential study," *NeuroImage,* Vol. 50, 2010, pp. 1676–1682.
10 Roman Krznaric, *Empathy: Why It Matters, and How to Get It,* Perigee, 2014.
11 John L. Havlik, et al., "The bystander effect in rats," *Sciences Advances,* Vol 6, No. 28, July 8, 2020.
12 David A. Shore, et.al., "How tackling the hard stuff can break down resistance to change," McKinsey & Company, July, 2019; and David A. Shore, et. al., "People will resist change: Here's how to approach it," McKinsey & Company, July, 2019.
13 Mandy Roth, "6 Ways to build the healthcare system of the future," *HealthLeaders,* August 9, 2020.

Exhibit 1: The PSEC Spectrum of Caring

Change initiatives rarely fail because of the technology; they fail because of people.

Empathy: Urgent Now; Important Always

It is less risky to display pity and sympathy because they do not require that we become vulnerable. It is also common to use the terms empathy and compassion interchangeably. However, there are central behavioral distinctions between all four as noted in **Exhibit 1**. For instance, empathy requires the capacity to put oneself in another's situation, which involves vicariously experiencing their perspective and emotions. Compassion, by comparison, includes all the components of empathy, with one additional distinctive ingredient.

Literally meaning "to suffer together," compassion goes one step beyond empathy and includes a willingness to take action to alleviate another's suffering. As such, compassion—"empathy in action"—may register physically as a decelerated heart rate; secretion of the bonding hormone, oxytocin; and involve regions of the brain associated with caregiving. Some would argue that pity, sympathy, and empathy without action are meaningless. With compassion, you recognize another's distress and you act to alleviate it. Compassion needs to become a verb. However, there is a distinctive value-added benefit to empathy, and therefore empathy is the focus of this article series.

Empathy is the ability to understand and share the feelings and experiences of another. In other words, empathy is imagining yourself in someone else's skin: feeling what they feel and seeing yourself and the world from their point of view. As the character Atticus Finch says in Harper Lee's *To Kill a Mockingbird*, "You never really understand a person until you consider things from his point of view...until you climb into his skin and walk around in it."

Empathy represents deep caring and occupies a place of pride in both building and rebuilding trust.[14] The ROI of empathy is substantial. It serves as catalyst to gaining influence, loyalty, and engagement. It creates better connections and relationships. Without empathy, one might assume that others' needs, boundaries, and experiences are the same as yours. Engaging with empathy will help you to better understand the people you are working with and to understand more about their thoughts, feelings, and actions. Empathy helps you avoid misunderstandings.

By contrast, empathy is *not*:

- Feeling sorry for someone (sympathy)
- Judging whether they are right or wrong
- Fixing it
- Trying to dissuade them from how they feel

Understanding what empathy is and is not is the first step in assessing organizational barriers to engaging with empathy and compassion. The following articles in this three-part series will provide boards and senior leaders with a framework of empathy-building activities to build a culture of empathy that enables innovation and change and leverages the ROI of empathy.

The Governance Institute thanks David A. Shore, Ph.D. for contributing this article. *Dr. Shore is a former Associate Dean of Harvard University where he continues to teach and lead professional development programs. He is also the former Distinguished Professor of Innovation and Change at Tianjin University of Finance and Economics (China). He serves on various boards including McKinsey & Company and the Marshfield Clinic Health System. He is Senior Consultant on Innovation at the United Nations. He can be reached at dshore@fas.harvard.edu.*

14 David A. Shore, *Launching and Leading Change Initiatives in Health Care Organizations: Managing Successful Projects*, Jossey-Bass, 2014.

Hospitals as Civic Engaged Institutions...

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affluent communities within the same metropolitan areas benefit from higher reimbursement for commercially insured patients. Many of the hospitals in more affluent communities share the same charitable obligations as the "safety net" community hospitals that serve a much higher proportion of Medicaid and uninsured populations.

Perhaps the only institutional stakeholders who experienced more financial losses than hospitals during COVID-19 are municipalities, which face the loss of revenue from local taxes on retail sales and a precipitous drop in energy demands by employers, among other challenges. There is a clear and growing need for creativity and courage to align strategies across sectors to meet basic needs and build a more resilient future.

Most hospital investments in community health are undertaken as a competitive enterprise, with an eye towards branding for public visibility and for marketing to current and prospective clients. This is not to say that good deeds have not been done, but that the potential to achieve more significant results at scale are confounded by our struggle to overcome our competitive impulses and discover zones of collaboration with our competitors and with related sectors.

In urban areas in particular, hospital service areas overlap significantly, and there is ample justification for alignment and focus of health improvement interventions in sub-geographic communities within the larger metropolitan footprint. There is also growing recognition of the limits of "panel of patients" care management; that it must be complemented by addressing the social needs of people and inequities in the social, physical, and political environments of our cities. This isn't rocket science, any hospital or health system can conduct a GIS analysis of diagnoses such as AHRQ's Prevention Quality Indicators and they'll find high concentrations of preventable utilization among residents in low income census tracts. We know that these communities are the drivers of the continuing escalation of healthcare costs, and that in a VBP environment, there is an imperative to address those drivers.

Sources of Data/Information	Potential Points of Leverage
Comprehensive/General Plans	**ID and influence** community development priorities that impact health status.
United Ways, Local Philanthropy	**Align and focus** assets in communities with concentrated health inequities.
Chambers of Commerce	**Build shared agendas** for quality of life investments that support workforce retention.
Transportation Planning Boards	**Change** transportation routes for access to care, employment, and basic goods and services.
City Councils/County Boards	**Influence priorities** in development/ enforcement of ordinances, affordable housing, etc.
Parks and Recreation Boards	**Influence resource allocation** for public space development and renovation.
Local Public Health Agencies	**Collaborate to support alignment** across competitive boundaries and focus on low income communities.
Food Policy Councils	**Secure shared investments** across sectors to assess and develop healthy food systems.

Civic-Engaged Health Improvement Systems

External affairs for hospitals and health systems are typically managed by VPs for public affairs, government affairs, or marketing. These individuals play an important role in monitoring public policies that impact the traditional functions of hospitals and advocating for their organization's interests.

As we confront the existential challenge of assuming increasing financial risk and addressing the social determinants of health in the middle of a pandemic, it has become increasingly clear that broader engagement of the senior leadership teams is needed in planning and decision making at the local and regional level.

What does that look like? First and foremost, it involves explicit allocation of responsibility for timely collection of information from multiple sources, ranging from municipal general plans and local private philanthropic initiatives to emerging priorities among city councils, chambers of commerce, and regional transportation boards. That information should inform the design of health improvement strategies and provide an entry point for targeted advocacy that leverages, and where appropriate, positions hospital leadership to advocate for adjustments that are in the public interest.

The table above provides examples of the sources of information that are critically important to hospitals in the era of COVID-19, the movement towards value-based payment, and in recognition of the imperative to address systemic racism.

It has never been more important for healthcare organizations to be places of safety and support in their communities. Hospitals and health systems have a unique opportunity to make a positive impact by ensuring the well-being and safety of all those they serve is a top priority. Ensuring that members of senior leadership and the board are in the position to influence, integrate, and leverage community assets is critical. In these challenging times, the old adage rings true—"If you're not at the table, you're on the menu."

The Governance Institute thanks Kevin Barnett, Dr.P.H., M.C.P., Senior Investigator, Public Health Institute, and Board Member, Trinity Health, for contributing this article. He can be reached at kevinpb@pacbell.net.

Patient Financial Experience from COVID-19...

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financial experience in their organization and recognize the contributions made by hospital finance leaders and other administrative staff working behind the scenes. When the pandemic hit, finance professionals realized that it would take time to sort out payer-specific benefits and coverage for this new disease. A few chose to pause patient billing for COVID-19 until they could ensure that bills would accurately reflect the patient portion. Many, joined by health plans, quickly developed relevant billing and payment information and posted it online. Finance leaders also developed streamlined business processes for virtual care. Responses like these helped mitigate patients' financial concerns. Beyond adapting revenue cycle processes, finance leaders put in long hours on planning, financial modeling, and expense management to guide their hospitals through a period of sharply reduced patient volumes and revenues as scheduled procedures were canceled to free up capacity for COVID-19 patients. These efforts should not only be acknowledged but should also be viewed as setting a precedent for the future.

Summary

The longstanding challenges facing legacy healthcare stakeholders still exist. And when it comes to patients' dissatisfaction with their financial experience, COVID-19 has acted as an accelerant. The goal should not be just "getting back to normal," as tempting as that may seem. Normal, or business as usual, translates to business-to-business-centered billing and payment processes, limited price transparency, and lots of hassles for consumers. Learn from the experiences of the pandemic and prioritize developing a consumer-centric patient financial experience. During the pandemic, finance leaders demonstrated that they are up to the challenge.

The Governance Institute thanks Joseph J. Fifer, FHFMA, CPA, President and CEO, Healthcare Financial Management Association, for contributing this article. He can be reached at jfifer@hfma.org.

Enterprise Risk Management...

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clinical, operational, strategic, financial, legal, technology, and hazard. Any category of risk (prevention, strategic, or external) could occur in each of these domains, yielding a 3x7 framework of risk categories and domains.

Tip #3: Develop a Risk Inventory

While risk events may occur individually, the enterprise's overall risk is cumulative. A risk inventory includes risks across all domains and categories. Importantly, this risk inventory also needs to assess both the potential impact on the organization and the likelihood of each risk event. For example, a potential $20M risk event with a likelihood of five percent results in an "expected impact" of $1.0M. This is the same expected impact as a $5M risk event with a 20 percent likelihood. Recognize that the likelihood assessment is an assumption and needs to be based upon the best available, credible data—and considered the most likely case, not the worst or best scenario.

Also incorporate into the risk inventory specific mitigation (or prevention) strategies that could reduce the likelihood of the risk event. Finally, develop a list of risk events, ranked by greatest expected impact, into an inventory that presents the overall cumulative portfolio of risks.

Tip #4: Update Your Compliance Committee Charter and Membership

Review your compliance committee charter to ensure that it incorporates all desired elements of ERM. Consider changing the committee name to "Compliance and Enterprise Risk Management" and using this committee as the board's locus for a robust, multidimensional, and coordinated approach.

Additionally, identify the competencies needed on such a committee. If needed, add or replace members of today's committee—and consider whether the board itself needs to recruit new members to lead or serve on this committee.

Tip #5: Ensure that your Board Culture Supports Effective ERM

We all know the adage, "culture eats strategy for lunch." It is critically important that the board create a culture of safety that encompasses all enterprise risks. Leaders need to encourage transparency when an adverse event occurs in any domain—whether clinical, operational, strategic, financial, legal, technology, or hazard.

The board must be courageous and willing to consider a "stress test" scenario. Encourage willingness to ask "what-if" questions around potential disruptors that, even if unlikely, could substantially harm the organization. Consider: "What if several of our major risks occurred simultaneously? Could we remain viable? Are we spreading ourselves too thin?"

Conclusion

Now is the time for the board to establish a multidimensional, coordinated, and proactive enterprise risk management approach. While recognizing myriad risks may feel uncomfortable or even overwhelming, anticipating these events today allows the organization to identify mitigation approaches in advance of an untoward event. Remember, never say never.

The Governance Institute thanks Marian C. Jennings, President, M. Jennings Consulting, and Governance Institute Advisor, for contributing this article. She can be reached at mjennings@mjenningsconsulting.com.

Enterprise Risk Management: Moving beyond Compliance

By Marian C. Jennings, M.B.A., M. Jennings Consulting

If 2020 has taught us anything, it is to never say "never." One year ago, how many healthcare leaders or futurists would have guessed 2020 would be the year for the COVID-19 pandemic and its cascading effects on U.S. hospitals and health systems?

The vast majority of health systems and independent hospitals maintain a board compliance or audit/compliance committee.[1] But effective enterprise risk management (ERM) is much broader than compliance alone. A typical corporate compliance committee for example, would not be discussing such "what if" scenarios.

As part of its fiduciary duties, a board is required to review the adequacy of the organization's risk management processes and can play a key leadership role in moving beyond traditional reactive and siloed risk prevention approaches.

While compliance typically—and correctly—focuses on prevention of risk, the American Hospital Association's Society for Healthcare Risk Management defines ERM more broadly, recommending that, "healthcare boards develop a broad view of threats and opportunities that affect the organization's strategic goals. A mature ERM program supports the organization in the evaluation and treatment of risk."[2] Such a mature program should be structured and analytical, focused on identifying and mitigating the financial impact and volatility of a portfolio of risks.

As part of its fiduciary duties, a board is required to review the adequacy of the organization's risk management processes and can play a key leadership role in moving beyond traditional reactive and siloed risk prevention approaches.

Key Board Takeaways

Creating Robust Enterprise Risk Management

- The board can play a key leadership role in moving the organization to a more robust, multidimensional, and coordinated approach to overall enterprise risk management (ERM).
- Ask questions about today's approaches and adopt an ERM framework that differentiates between preventable, strategic, and external risks.
- Determine the best committee approach to help the board fulfill its risk management responsibilities.
- Ensure that your board exhibits a culture that supports effective ERM.

Tip #1: Understand Where You Are Starting

Start by reviewing your current compliance and ERM approaches and address key questions. Are today's approaches siloed or coordinated? Is your approach more proactive or reactive? How do you measure the success of your compliance or ERM program? Have you agreed on which major risks should be shared with senior management, the compliance committee, or the full board? How aligned are your ERM approaches with your strategic plan?

Tip #2: Adopt an Enterprise Risk Management Framework

If you have not already done so, adopt a framework that comprises more than just compliance. Start by recognizing that there are three categories of enterprise risk[3]:

- Preventable risks: typically internal and a primary focus of corporate compliance (e.g., fraud and abuse, HIPAA requirements, etc.).
- Strategic risks: often external, these arise related to your strategic decisions or positioning (e.g., investing in new urgent care centers to compete with a CVS health hub or new risks associated with sponsoring your own health plan, etc.).
- External risks: these arise from events outside your organization and often are beyond your influence or control (e.g., a pandemic, ransomware attack, major cut in Medicare payments, etc.).

Don't fall into the trap of believing one category of risk is worse than another. A "preventable" risk is no less dangerous than a "strategic" risk. Any category of risk could substantially harm the organization and its reputation.

Equally important is to recognize that risk can occur across multiple domains:

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1 Kathryn Peisert and Kayla Wagner, *Transform Governance to Transform Healthcare: Boards Need to Move Faster to Facilitate Change*, 2019 Biennial Survey of Hospitals and Healthcare Systems, The Governance Institute.
2 American Society for Healthcare Risk Management, *Enterprise Risk Management for Boards and Trustees: Leveraging the Value.*
3 Robert S. Kaplan and Anette Mikes, "Managing Risks: A New Framework," *Harvard Business Review*, June 2012.